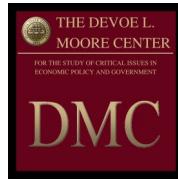


# Policy Study



## Cost Overruns and Public Infrastructure: The Case of Tallahassee's Cascades Park & Trail

### Cost Overruns and Public Infrastructure

### Executive Summary

*This study uses an analysis of the development of Cascades Park and Trail in Tallahassee, Florida, to explore time and cost overruns commonly associated with the construction of public infrastructure. The researchers built a database to analyze the 165 change order records issued between the Blueprint Intergovernmental Agency and Sandco Inc. during park construction between 2010 and 2014. Authorization memoranda, field orders, supplemental agreements, donation records, and government project documents were included in the quantitative analysis to categorize the total time delays and cost overruns accumulated during construction. Finally, news articles, meeting minutes, and interviews were used to acquire a comprehensive understanding of decision-making processes, policies, and stakeholder reactions associated with the building of Cascades Park and Trail and its related projects such as the Capital City Amphitheater, the Edison Restaurant, and a pedestrian footbridge.*

### Among the report's findings:

- *Cascades Park and Trail's total expenses may be \$49 million, \$56 million, or \$65 million, depending on the benchmark used, higher than the \$34 million commonly reported in the media.*
- *Cascade Park (segment 2) represents one phase of a four-segment project, and the trail complex should be considered as an integrated public amenity and development project.*
- *The Cascades Park facility construction alone experienced \$8.2 million in increased costs, representing a 36 percent increase in the cost from the original contract. Franklin Boulevard experienced cost escalations equal to \$3.3 million, or 55 percent over the original contract agreements.*
- *Design upgrades requested by city and county agencies during construction account for 43 percent of the increased costs during construction of Cascades Park, totaling \$3.5 million.*
- *Large-scale changes in the scope of the Cascades Park project and technical challenges to the project's contract added 693 days, doubling the project completion time over original forecasts to 1,423 days and significantly increasing daily contractor overhead fees.*
- *Cascades Park was proposed to citizens as a passive park and stormwater facility but transformed into an active park through post-design decisions by city and county leaders at higher than necessary costs. Such undisciplined spending decisions resulted in decreased trust in government from citizens and opened the doors for potential public corruption.*
- *The city, county, and intergovernmental agency should adopt 13 specific administrative and planning reforms to improve project performance, accountability, and transparency.*

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#### **About the DeVoe L. Moore Center**

The DeVoe L. Moore Center is an academic and applied policy research center in the College of Social Sciences and Public Policy at Florida State University focusing on state and local government, land use, growth management, and regulation. Since its founding in 1998 through an endowment to the university, the center has sponsored research resulting in 25 conferences, ten books, and nine special issues in leading academic journals, nurtured more than 80 business plans for social enterprises, helped establish social enterprises in Florida, Africa, Asia, and the Caribbean, and funded more than 30 dissertation research fellows. The center relies on an extensive internship program for its operations, mentoring more than 30 students each year in research, public affairs, and editing. Under the leadership of DeVoe Moore Eminent Scholar Keith Ihlanfeldt, the center's academic research has launched important national discussions on topics such as impact fees, housing foreclosures, and housing affordability.

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## 1. Introduction

Local governments provide a wide array of services and infrastructure for their communities, and most rely on general taxes such as sales and property taxes to fund these programs and facilities. However, governments often operate outside the discipline of market transactions where consumers can redirect their spending based on their preferences and the profit incentive encourages suppliers to meet them. Thus, governments are subject to a range of rules and policies to ensure spending remains in line with the desires of citizens and taxpayers. When these lines of accountability become blurred, or less transparent, the potential for excess and waste emerges.

Not surprisingly, a significant body of academic and applied policy research has emerged to analyze and develop methods for ensuring transparency and accountability in the public sector. This policy report uses a case study of a major infrastructure project funded by local government to further understand the policymaking and implementation process on the local level. The planning, design, and construction of the award-winning infrastructure project, Cascades Park and Trail, in the city of Tallahassee provides an example of multi-jurisdiction coordination and policymaking on a project of regional significance. The implementation of this project, funded through a dedicated sales tax, provides a lens through which issues such as risk mitigation, cost control, and public goal setting can be analyzed.

The Cascades Park and Trail project addressed multiple community needs identified by policymakers and state law, including stormwater management, brownfield redevelopment, and enhanced recreational opportunities in the urban core. However, the project experienced a significant increase in costs from the initial contract of \$23 million. The park opened two years late and taxpayers fronted at least \$8.3 million, and perhaps as much as \$48 million, in added costs for the park facility and supporting infrastructure. Depending on the project scope and milestones used, the total costs appear to have ranged from \$49 million to \$70 million.

A complicated decision-making process, inconsistency in record keeping, and lack of clarity in project goals and objectives contributed to a lack of transparency that makes the final determination of expenses problematic. At this same time, the case provides important lessons for public accountability, transparency, and tracking public sector performance.

The objective of this report is to offer a constructive re-evaluation of the Cascades Park project from which recommendations can be suggested for improving project management and prioritizing future development projects.<sup>1</sup> The findings from this policy report should be useful for those involved in policymaking and project implementation, including elected officials, administrators, contractors, citizens, and the media. The insights and recommendations should also help guide project promoters on how to effectively manage public infrastructure costs and identify factors that increase

***"The objective of this report is to offer a constructive re-evaluation of the Cascades Park project from which recommendations can be suggested for improving project management and prioritizing future development projects."***

<sup>1</sup> Thus, this policy report contributes to “projects-as-practice” research, focusing on organizational behavior and decision-making at incremental stages of the project management process. See Joe Sanderson, “Risk, Uncertainty, and Governance in Megaprojects: A Critical Discussion of Alternative Explanations,” *International Journal of Project Management*, 30 (2012), 432-443.

financial risk and the likelihood of cost overruns that undermine public confidence in local government.

Importantly, this report is not intended to be a comprehensive cost-benefit analysis. Since the analysis is focused on decision-making, transparency, and the relationship between spending decisions, project goals, and performance, consideration of the benefits of the Cascades project falls outside the scope of the analysis. Phase I of the project included important improvements to Franklin Boulevard to manage stormwater run-off and upgrade infrastructure irrespective of its role as a gateway to Cascades Park. In addition, the environmental cleanup and remediation of the site provides important benefits to the community irrespective of its conversion into an active park (a factor that became a significant driver of total spending).

An overview of the Cascades Park and Trail project is provided in Sections Two through Five, which provide the economic, community, and political context for the project. Sections Six, Seven, and Eight examine specific components of the project in more detail while Section Nine concludes with policy recommendations.

## Cascade Park

DOWNTOWN TALLAHASSEE



Cascades Park Map

Source: [genesisgroup.com](http://genesisgroup.com)

## 2. Cascades Park and Public Investments in Context

Cascades Park is an example of a recent nationwide trend toward designing urban infrastructure to serve multiple purposes.<sup>2</sup> Projects of this nature are perceived to be a positive addition to cities, and proponents support them for their potential quality of life and economic development benefits to their communities. Project management expert Bent Flyvbjerg and his colleagues note that these projects tend to be greenlighted quickly to satisfy public desires for infrastructure that connects people and neighborhoods, serve the “monument complexes” of elected officials, and create business opportunities for well-connected contracting companies and engineers.<sup>3</sup>



Cascades Park

Source: Tallahassee Democrat, Special to the Chronicle

Some have argued that cost overruns should be expected for large infrastructure projects that benefit communities. The scale of the projects suggests investments without precedent or a track record for accurately forecasting true costs.<sup>4</sup> Some of the world’s most revered architecture and infrastructure projects, such as the Channel Tunnel (Chunnel) linking England and France, Boston’s Central Artery and Expressway (“Big Dig”) urban highway improvements, and the Denver airport, among many others, experienced significant increases in costs over the course of their design and construction, but also provided substantial benefits.

This thinking, however, is risky. Normalizing extreme financial increases for public projects absent accountability and fiscal checks can lead to significant financial strain for local governments. Government fiscal balances can be impacted for years by large-scale development projects gone awry. During a time of increased pressure on shrinking local budgets, the public interest is served when funds are used strategically and carefully, rather than frivolously.

While recent research on public project management has focused on megaprojects—those with budgets over \$1 billion—the problems associated with managing public investments of this scale are applicable to local governments tasked with managing their own large projects. Without the planning apparatus, accountability systems, and financial protocols in place to ensure projects stay focused, on budget, and within approved guidelines and constraints, projects run the risk of undermining public trust, squandering resources, and misaligning strategic priorities.

***“During a time of increased pressure on shrinking local budgets, the public interest is served when funds are used strategically and carefully, rather than frivolously.”***

<sup>2</sup> S. Bry Sarté, “Urban Innovations,” *Storm Water Solutions*, published March 31, 2017 <https://www.estormwater.com/trends-forecasts/urban-innovations>.

<sup>3</sup> Bent Flyvbjerg, Nils Bruzelius, and Werner Rothengatter, *Megaprojects and Risk: An Anatomy of Ambition* (Cambridge: Cambridge University Press, 2003), 46-47.

<sup>4</sup> See the discussion in Alan Altshuler and David Luberoff, *Mega-Projects: The Changing Politics of Urban Public Investment* (Washington, DC: Brookings Institution, 2003).

## Cost Overruns Are Frequent in Public Infrastructure Projects

Large infrastructure projects often experience costs overruns and schedule setbacks. One report by the World Bank estimated that two-thirds of large-scale public infrastructure projects were overbudget and failed to meet construction schedules and timelines. According to Danish economist Bent Flyvbjerg and his colleagues, the scale of infrastructure projects is increasing and international evidence shows that larger projects are more likely to incur cost overruns and time delays. While some project overruns occur because of standard technical errors during construction, media attention and case study research have uncovered unsettling trends of poor project management and rising costs due to project leaders acting in self-interest. This is often in the form of improper forecasting of costs and risks.

Project promoters have learned that infrastructure projects are more likely to be greenlighted and expedited if accountability measures are vague or poorly conceived, allowing them to project lower design and construction contract costs. Enhancements to the project are then added through change orders, field orders, and contracts for additional subprojects. While this practice occurs in both private and public infrastructure projects, the stakes are conceivably higher with government projects since they operate outside the discipline of a market or direct shareholder accountability.

Identifying the misuse of public sector funds is critical to make corrections and maintain public trust. Bypassing accountability measures in order to expedite projects shifts the financial risks of mismanagement and overruns onto taxpayers and creates opportunities for crony capitalism—the use of government to serve private interests—and government overreach.

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*Source: Bent Flyvbjerg, Nils Burzelius, and Werner Rothengatter, *Megaprojects and Risk: An Anatomy of Ambition* (Cambridge: Cambridge University Press, 2003).*



**Capital City Amphitheater**

Source: [visittallahassee.com](http://visittallahassee.com)

### 3. Project Overview

The Cascades Park project is Phase 2 of a four-phase infrastructure improvement plan called the Cascades Park and Trail, which was funded by a sales tax increase approved by Leon County voters in 1989. The first phase involved stormwater and road improvements along Franklin Boulevard, a major access road to the proposed park. Phase 3 included a pedestrian bridge connecting the park to a running and bike trail, while Phase 4 completed the trail connection along FAMU Way to connect to the St. Marks Trail head (at Gamble Street in Tallahassee). Thus, the project is an example of a major initiative embedded within a broader plan.

According to Blueprint Intergovernmental Agency, Cascades Trail combined with Franklin Boulevard (Phase 1) were key access points to the Cascades Park facility, and the entire project was considered “perhaps the signature project of Blueprint Intergovernmental Agency.”<sup>5</sup> The segments making up the Cascades Park and Trail tie “together our attempts to provide additional Stormwater [sic] capacity, alleviate flooding, provide infrastructure to enhance the south side of our community and at the same time produce an attractive public amenity, which can be enjoyed by everyone in the community.”<sup>6</sup>

***“Cascades Park and Trail was considered ‘perhaps the signature project of [the] Blueprint Intergovernmental Agency.’”***

#### Blueprint 2000

Blueprint 2000, currently renamed the Blueprint Intergovernmental Agency, was the consolidated city-county public entity tasked with overseeing and managing the construction of Cascades Park. The agency was formed by the City of Tallahassee and Leon County in 1999 to plan infrastructure projects that would be funded by a potential extension of a one-cent sales surtax. The tax extension was to fund transportation and law enforcement facility improvement projects. On November 7, 2000, voters signed off on the extension at the ballot box to fund a menu of infrastructure projects, including Cascades Park.

At that time, Cascades was marketed to voters as a stormwater facility that would double as a quiet and passive park—an open space with low intensity recreational use focused on preserving natural habitat rather than high-intensity recreational and urban uses—in the heart of the city. As this section shows, the park’s design evolved into an active recreation area with urban features such as playgrounds, an amphitheater, and a destination restaurant.

The governing board of the Blueprint Intergovernmental Agency consists of five Tallahassee City Commissioners with seven votes each, and seven Leon County Commissioners with five votes each. Several committees provide advisory roles in decision-making and approval processes. The Technical Coordinating Committee, for example, is made up of professionals. The Citizens Advisory Committee consists of citizens who are leaders in their respective fields and the community. The committee’s members represent diverse backgrounds including biology, planning, civil rights, finance, and neighborhood association leadership. The Technical Coordinating Committee and the Citizens Advisory

<sup>5</sup> Blueprint 2000 and Beyond: Project Definitions Report, Blueprint Intergovernmental Agency, [https://cms.leoncountyfl.gov/Portals/0/admin/Sales%20Tax%20Committee/Meetings/agenda20120223\\_Item3\\_Attachment.pdf](https://cms.leoncountyfl.gov/Portals/0/admin/Sales%20Tax%20Committee/Meetings/agenda20120223_Item3_Attachment.pdf), last accessed July 19, 2018.

<sup>6</sup> Ibid.

Committee review work plans proposed by the Blueprint Intergovernmental Agency staff director as well as the annual performance and financial audits.<sup>7</sup> Financial controls are also in place in the Blueprint Intergovernmental Agency organization. If a change order constitutes over \$25,000 additional expenses to construction, for example, signed approval is required from the Office of the City Manager and the county administrator.<sup>8</sup>



**Imagination Fountain at Cascades Park**

Sources: [Talgov.org](http://Talgov.org), [Trip Advisor](http://Trip Advisor), [visitflorida.com](http://visitflorida.com)

<sup>7</sup> Intergovernmental Agency, Technical Coordination Committee and Citizens Advisory Committee Meeting minutes from 2004 to 2012.

<sup>8</sup> Blueprint Intergovernmental Agency, "Meeting Minutes," Blueprint Intergovernmental Agency, last modified June 20, 2011 (verified via phone call to the Blueprint Intergovernmental Agency office).

## How Rigorous Are the Blueprint Intergovernmental Agency's Accountability Procedures?

Conventional wisdom in public finance theory (and significant empirical evidence) suggests that local governments are more efficient and effective in delivering certain public services than state or federal governments. While as a general principle this may be true, particularly regarding urban parks and local economic development projects, the case study of the Cascades project cautions against applying this principle uncritically.

Although the bylaws of the Blueprint Intergovernmental Agency attempt to put accountability mechanisms in place through committees and financial authorization rules, the building of Cascades revealed numerous weaknesses in local governing systems. A public records request submitted to the agency by the DeVoe L. Moore Center revealed nine funded change orders that were over Blueprint's \$25,000 approval threshold but lacked corresponding records showing the proper authorizations from the city manager and county administrator.

Meeting minutes also suggested instances of "groupthink"—a process by which consensus is achieved through relationship building rather than rigorous inquiry and robust discussion. Many decisions were "ad hoc" in nature, falling outside the project's approved guidelines. This process enabled the agency to make large-scale changes in project scope that incrementally altered the original intent and delayed the park's opening. The ad hoc decisions disrupted project completion and construction schedules. These expansions in scope led to \$8.2 million in additional costs and threats of lawsuits, including a \$604,142 supplemental agreement paid to the contractors that added a 5 percent mark-up and 10 percent increase in overhead fees to all change orders.\*

A revealing exchange in 2012 involved the Citizens Advisory Committee authorization for the most expensive of several possible funding packages for the then proposed Capital City Amphitheater. A member of the CAC asked the director of the Blueprint Intergovernmental Agency to provide his personal recommendation and the rationale behind building an amphitheater in the park, an addition that would add \$2.7 million to the project cost. The director explained that the most expensive and largest option aligned most clearly with the guidance he received from the city and county commissions; "his marching orders if you will," he said.\*\* The agency's director added that he personally supported this option because the city and county commissioners would have ultimate control over the amphitheater's programming and that retrofitting the amphitheater once constructed would be more expensive.

After the option passed by a majority vote, a CAC member noted that the director's highest concern appeared to be his "marching orders" from the city and county commissioners. This led the member to "question the parameters of the freedom and responsibility of the CAC to do the best they could to represent their constituent groups." The exchange also suggested that the upgrades to the publicly funded amphitheater were a matter of "when" not "if," no matter what option the committee voted on. The Capital City Amphitheater has cost taxpayers over \$3 million and has been losing money annually since opening in 2014.

***"Many decisions were also 'ad hoc' in nature, falling outside the project's approved guidelines."***

\* DeVoe Moore Center calculations from BIA CAC meeting minutes, review of change orders, and review of supplemental agreements.

\*\* Blueprint 2000 CAC Meeting Minutes, February 7, 2013, [http://blueprint2000.org/DocSearch/download\\_store/CAC\\_min020713.pdf](http://blueprint2000.org/DocSearch/download_store/CAC_min020713.pdf).

## Cascades Park

City officials hail the reported \$32 million Cascades Park as a triumph for contemporary urban park design as a multiuse facility that acts as a green space, recreation center, and stormwater facility. The 24-acre facility features a 3,500 seat amphitheater, an artificial waterfall, several pond overlooks, suspension bridges, playground areas, an interactive fountain, and 2.3 miles of walking and biking trails.<sup>9</sup> Opened in 2014, Cascades Park is now recognized as a regional centerpiece for Tallahassee and Leon County.<sup>10</sup> The park has won awards for providing significant stormwater facilities which help abate the city's flooding.<sup>11</sup> An interactive and interpretive commemoration of Smokey Hollow, an African American community razed through urban renewal in the 1960s, has also won the park recognition, including three awards for historic preservation and urban design from the Florida Chapter of the American Institute of Architects.<sup>12</sup> The American Public Works Association also named Cascades Park the 2015 Public Works Project of the Year.

Even with the delays and cost overruns, Cascades Park is an aesthetically pleasing urban amenity that is widely recognized as a significant enhancement to the community and Tallahassee's downtown.

## Community Perceptions

A community perception survey was one of many reports conducted after the bid on construction was awarded to the primary contractor, Sandco Inc., and work had begun on the facility. This survey was part of the "Cultivate Cascades" initiative, designed to "brand" the park "as a Tallahassee landmark by ensuring that visitors were drawn to the park through a variety of diverse activities held throughout the first year."<sup>13</sup> Fifty-one percent of respondents to a survey conducted prior to the park's opening believed it would "greatly enhance the quality of life within the region."<sup>14</sup> This research on citizen attitudes played a role in city and county approval to fund millions of dollars in additional amenities, such as to the Capital City Amphitheater.<sup>15</sup> Interestingly, the study neither asked residents about costs or spending, nor provided information for them to evaluate the relative costs and benefits of the project.

Public perceptions of the benefits of the park, however, should not obscure the practical realities of its construction and implementation. During the construction phase, numerous additions were made to the original design. Neighborhoods and citizens pushed back on several design elements, and costs seemed to escalate unchecked.

<sup>9</sup> "Cascades Park - Features," City of Tallahassee Parks, Recreation and Neighborhood Affairs, accessed June 28, 2018.

<sup>10</sup> Wendy Dixon, "Tallahassee's Cascades Park Finally Opens," *Florida Trend*, May 28, 2014, <https://www.floridatrend.com/article/17155/tallahassees-cascades-park-finally-opens>.

<sup>11</sup> "Tallahassee's Cascades Park Project Named to APWA 2015 Public Works Projects of the Year," *Public Works*, last modified September 6, 2015, [https://www.pwmag.com/facilities/tallahassees-cascades-park-project-named-to-apwa-2015-public-works-projects-of-the-year\\_0](https://www.pwmag.com/facilities/tallahassees-cascades-park-project-named-to-apwa-2015-public-works-projects-of-the-year_0).

<sup>12</sup> "Smokey Hollow Commemoration," Architects Lewis + Whitlock, accessed July 29, 2018, <http://www.think3d.net/work/smokey-hollow-commemoration>.

<sup>13</sup> Knight Creative Communities Institute, *Cultivate Cascades Park* (Tallahassee, FL: KCCI, 2012), 3, <http://kccitallahassee.com/wp-content/uploads/Cultivate-Cascades-Park-Report.pdf>.

<sup>14</sup> Ibid.

<sup>15</sup> Some additions and enhancements, such as Discovery Garden, a playscape that includes rocks, sand, and outdoor "classroom," were privately funded. See Dixon, "Tallahassee's Cascades Park Finally Opens."

## 4. Project Management and Cost Overruns

Cost overruns in public infrastructure development often result from a lack of realism in forecasting construction costs and timetables for completion. Infrastructure designs, their implementation, and their calculated risk are not sufficiently considered due to the incomplete information in their models.<sup>16</sup> Accountability and transparency processes through which such mistakes might be caught are ignored or avoided to get the project started, lowering standards of good governance and putting public integrity at risk. The result often leads to granting a bid to a construction contract with a much lower estimated cost than one based on a more rigorous approach to project forecasting and an assessment of actual performance with similar projects. Cost overruns inevitably pile up and put further stress on local budgets, especially when paired with lower than projected revenues.

Changes in the scope of work are reflected in the form of change orders—documents used to secure approval for additional work and associated costs. Notably, change orders are an integral part of any construction project. As projects are implemented, unforeseen events change timelines, require adjustments to accommodate uncontrollable events such as material availability or delivery, or alter design modifications that might impact costs. Thus, change orders must be examined based on the content and purpose of the changes. The change order approval process should not be used as a way to obscure activity or avoid public accountability measures. The Cascades Park contract lists 165 approved change orders, many of which were due to the need to address largely noncontroversial technical issues.

The Institute on Municipal Finance and Governance (IMFG) notes that cost overruns on infrastructure projects typically occur for three key reasons: technical problems encountered during construction, planners and policymakers’ “optimism bias”—the tendency to overestimate benefits and understate costs and risks—and strategic misrepresentation of key facts or conditions to secure approval.<sup>17</sup> Much of the time, technical challenges are caused by unforeseen events. The Cascades project managers, for example, did not foresee the need to remove as much contaminated soil as was discovered in the construction area, or the opening of a sinkhole in Cascades’ Boca Chuba Pond during construction.

For the Cascades project, 57 percent of the change orders occurred because of technical problems during construction phases. Forty-three percent of the increased costs were due to post-contract upgrades requested from various city and county departments. These upgrades totaled \$3,536,097.43 (figure 1). Included in these change orders were significant upgrades to the proposed amphitheater, Centennial Field, the interactive water fountain, Meridian Plaza, upgrades to the Old Historic Electric Building now known as the Edison, the Smokey Hollow Commemoration, and the Meridian Point Building.

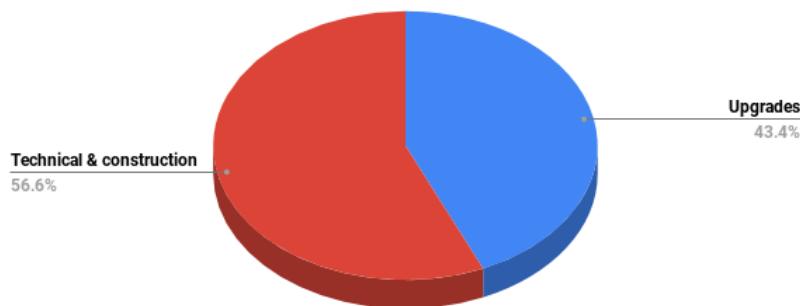
***“Cost overruns in public infrastructure development often result from a lack of realism in forecasting construction costs and timetables for completion.”***

<sup>16</sup> Flyvbjerg, Bruzelius, and Rothengatter, *Megaprojects and Risk*, 46.

<sup>17</sup> Matti Siemiatycki, “Cost Overruns on Infrastructure Projects: Patterns, Causes, and Cures,” *IMFG Perspectives*, no.11 (2015), [https://munkschool.utoronto.ca/imfg/uploads/334/imfg\\_perspectives\\_no11\\_costoverruns\\_matti\\_siemiatycki.pdf](https://munkschool.utoronto.ca/imfg/uploads/334/imfg_perspectives_no11_costoverruns_matti_siemiatycki.pdf).

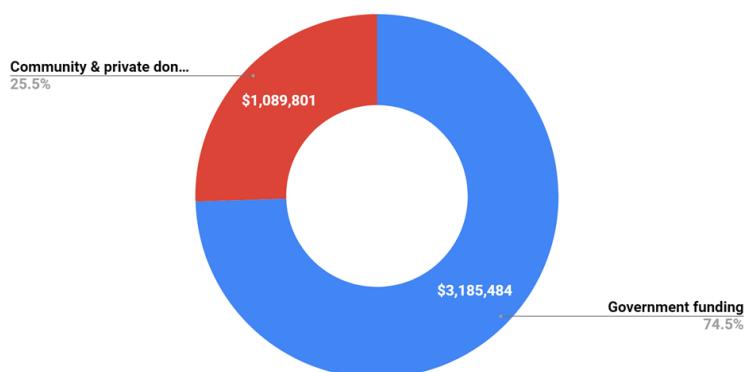
**Figure 1. Blueprint-initiated upgrades as share of total change-order costs.**

Source: DeVoe L. Moore Center analysis of Sandco Inc. and Blueprint 2000 change orders.



## Private and Public Contributions

In a 2016 presentation, a member of the Blueprint Intergovernmental Agency explained that community partnerships helped cover \$4.3 million in costs for some of the amenities that were in the original design as well as others that were added after construction had commenced. Enhancements to the original design that also received funding from other sources included the Cascades waterfall, walking trails, interactive fountain, Smokey Hollow Commemoration, Centennial Field, community bricks added throughout the park, trees and furniture, the amphitheater, amphitheater restroom, Smokey Hollow Heritage Garden signs, and the Discovery Play Area.



**Figure 2. Sources of additional funds for amenities: Grants, partnerships, and donations.**

Source: *Understanding the Funding Process* (Blueprint Intergovernmental Agency presentation to the Association of Pedestrian and Bicycle Professionals, 2016), [http://www.ochealthalliance.org/wp-content/uploads/2015/12/2016-03-16-APBP\\_Funding-Process.pdf](http://www.ochealthalliance.org/wp-content/uploads/2015/12/2016-03-16-APBP_Funding-Process.pdf), 81.

A closer analysis, however, reveals that only 25 percent of these partnerships were grants or donations from the nonprofit community or private sector. Three-quarters of the partnership money came from government budgets, mainly from local government agencies, including the Community Redevelopment Agency, City of Tallahassee Utilities, and the Leon County Tourism Development Council (figure 2).<sup>18</sup>

<sup>18</sup> *Understanding the Funding Process* (Blueprint Intergovernmental Agency presentation to the Association of Pedestrian and Bicycle Professionals, 2016), [http://www.ochealthalliance.org/wp-content/uploads/2015/12/2016-03-16-APBP\\_Funding-Process.pdf](http://www.ochealthalliance.org/wp-content/uploads/2015/12/2016-03-16-APBP_Funding-Process.pdf), 81.

## Final Estimated Expenses for Cascades Park & Trail

Unfortunately, the total estimated cost for the Cascades Park and Trail project is not fully transparent, in part because the scope of the project was not completely identified during the process. Expenses and costs were incrementally added during the construction and design phases.

While Cascades Trail was identified as a key priority in the Blueprint 2000 planning process, the total project was grouped into four segments. The park was originally a stormwater control and retention project. Because the land existed on a former industrial site—the city’s utility—costs for major soil repatriation and removal of potentially hazardous and toxic materials were included in Phase 2. Access to the park along Franklin Boulevard (Phase 1) was considered part of the park development. Significant Phase 1 funds were used to upgrade the road beyond necessary stormwater and drainage improvements, in order to provide a more efficient and aesthetically pleasing gateway to the park facility. As a result of public input in the process, “the scope of the project has been modified to construct 2-lane roadway option with pedestrian amenities, new traffic signals, street lighting and landscaping,” the progress reports says. Similarly, the addition of the pedestrian bridge and other enhancements to the trail in Phase 3 could reasonably be added to the cost of the project since Cascades Park was the keystone for this feature and upgrades triangulated around this facility.

The Blueprint Intergovernmental Agency’s current estimates place Phase 2’s total costs at \$49 million. More than double the original estimate presented to the public, this figure includes the construction of Cascades Park and all subprojects including remediation of contaminated soils, design and post-construction services, project management, provision of city utilities, and planning among other items. Delays and additions to the park’s construction increased costs to \$31 million for the main facilities, but additional work for land remediation, such as addressing an unexpected sinkhole, and deliberate additions in design changes and features (e.g., the Smokey Hollow Commemoration) increased the cost to \$49 million (see figure 3).

If the cost of the pedestrian bridge creating access to the park is included (an additional \$7.2 million), the project’s total expenses rise to \$56.2 million. When Franklin Boulevard access improvements are included, the total expenses related to the Cascades Park and Trail project balloon to \$70 million.<sup>19</sup> Since the scope of the park project was not fully identified at the outset, an environment for project scope “creep” was created, which made estimating “true” total costs problematic.

*"Three-quarters of the partnership money came from government budgets, mainly from local government agencies, including the Community Redevelopment Agency, City of Tallahassee Utilities, and the Leon County Tourism Development Council."*

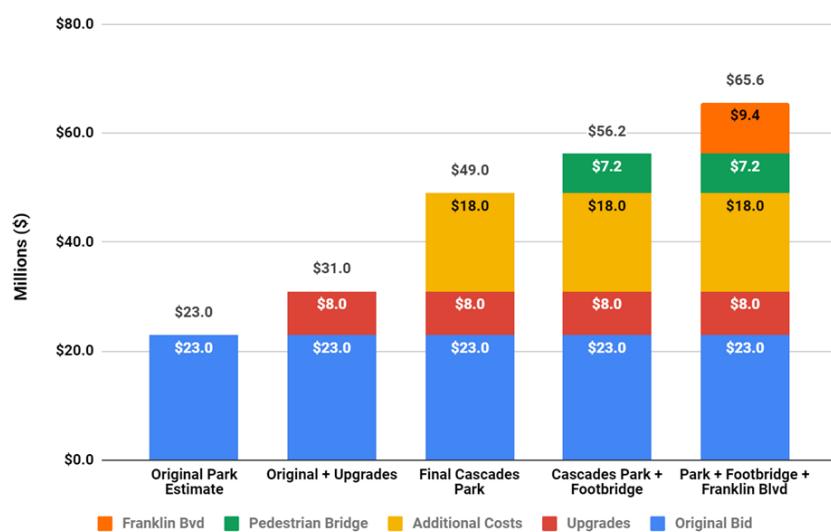


Figure 3. Estimated expenses related to Cascades Park and Trail development.

<sup>19</sup> Expenses related to all four segments of Cascades Trail were much larger, but several of these projects were not connected to Cascades Park and thus excluded from this analysis.

*"The sources of bloated spending and delays, however, are often more complex than simple claims that public officials lied or intentionally misled the public and other decision-makers."*

## 5. Primary Drivers of Delay and Cost Overruns

Delays and higher than planned costs are common in public infrastructure projects, raising significant questions about transparency in the planning and implementation processes. The bias toward underestimating costs and construction timelines has led some observers to claim that public officials and their contractors intentionally mislead the public in order to secure approval for their projects.<sup>20</sup> The sources of bloated spending and delays, however, are often more complex than simple claims that public officials lied or intentionally misled the public and other decision-makers.

### Technical Challenges and Unforeseen Events

Technical challenges are implicit in large infrastructure projects with long implementation timelines. Poor weather, buried or poorly mapped pipes, contamination and toxic substances from soil, and other conditions delay projects and sometimes increase costs. Higher than anticipated concentrations of toxic chemicals, left over from the Cascades site's previous industrial use as a utility, forced contractors to excavate larger amounts of soil than originally planned. In addition, a sinkhole in the Boca Chuba Pond required remediation before the project could be completed. The project also uncovered pipes, concrete, and water lines during the excavation process. Severe storms halted construction and tested the park's success as a drainage facility during construction. Proper planning, of course, can mitigate these costs and delays—the project site was a known brownfield—but cannot avoid them completely.

### Contract Disputes

Disputes between the government client and the general contractor (who must manage the workflow of subcontractors) can also create delays and increase costs. The Cascades Park construction project experienced three major disputes. The first focused on substantial changes in project scope initiated by Tallahassee's local government. The second revolved around responsibility for and costs of the geographical problems associated with the Boca Chuba Pond sinkhole. The lead contractor had to work with a planning subcontractor to reorganize the workflow to accommodate deviations from the park's original design. These disputes delayed the construction. These additional delays led to the third dispute, when the contractor demanded payment for extended landscaping and upkeep costs associated with keeping the planted flora alive for the time added to the park's completion date. Drawing up legal documents to settle these disputes also contributed to rising project costs. Notably, the delays in the Cascades Park project were substantial, doubling the timeline from two years to nearly four.

<sup>20</sup> See Flyvbjerg, Bruzelius, and Rothengatter, *Megaprojects and Risk*.

## Incomplete Studies and Inaccurate Forecasting

Approving a project prior to the completion of necessary studies or proper forecasting leads to increased costs during construction. Cascades Park was greenlighted before design plans were finalized. An analysis of the change orders revealed that over \$237,530.85 in cost overruns were caused by “inaccurate or incomplete information given to contractor.” For example, the completed design plan for the electrical portion of the Korean War Memorial was not provided until two years after construction began. The result was \$28,190 in additional labor and material costs. Up to \$25,000 was authorized to fund sound studies for the Capital City Amphitheater after the agency decided to upgrade the stage for concert performances.<sup>21</sup>

## Optimism Bias

In the planning stages, local policymakers who support a project may “assume the best-case scenario,” discounting the risk of failure or the potential benefits from alternatives. Their overconfidence in the ability to achieve desired or stated project goals is called “optimism bias.” The tangible effects of this bias, which is rooted in human psychology, can be seen during the construction phase in the form of change orders, field orders, and supplemental agreements. Optimism bias leads project promoters and policymakers to claim responsibility for what goes right on a project while attributing problems to outside forces such as weather or poor soil. These problems are exacerbated when projects rely on their own revenue sources (e.g., tolls or fees) to fund their operations and capital investments since optimism bias leads to overestimates of project-generated revenue.<sup>22</sup>

The Capital City Amphitheater is a case in point. The theater upgrades amounted to a multimillion dollar addition to Cascades Park. The upgrades were proposed after construction had begun and were quickly approved through special jurisdiction authorization processes. The Blueprint Intergovernmental Agency’s consolidated approach to managing its projects facilitated internal decisions that redirected funds from different public entities such as the Community Redevelopment Agency and the Leon County Tourism Development Council to the amphitheater project (and others) and justified them as new expenses. Amenities continue to be added to the amphitheater (see Section 6).<sup>23</sup>

***“Infrastructure projects can provide lucrative personal and professional rewards to government officials, consultants, contractors, property owners, and even residents.”***

<sup>21</sup> Notably, this post-design decision was one of several that led to citizen dissatisfaction with park decision-making processes.

<sup>22</sup> Flyvbjerg, Bruzelius, and Rothengatter, *Megaprojects and Risk*, 3.

<sup>23</sup> “Leon County Commission Approves \$390K for Cascades Amphitheater Weatherization Plan,” Tallahassee Reports, last modified February 18, 2018, <http://tallahasseereports.com/2018/02/18/leon-county-commission-approves-390k-for-cascades-amphitheater-weatherization-plan/>.

## Strategic Misrepresentation

Infrastructure projects can provide lucrative personal and professional rewards to government officials, consultants, contractors, property owners, and even residents. Individuals benefit from moving projects forward by low-balling cost estimates and bypassing accountability hurdles. According to the Institute on Municipal Finance and Governance, this means that

*the costs of overruns and schedule delays deemed the responsibility of government are borne by taxpayers rather than those who planned, approved, and promoted the project. But there are few direct consequences for these participants when budget expectations are not met.<sup>24</sup>*

Thus, politicians have incentives to advance projects without rigorous analysis of costs, benefits, or revenues to garner support from voters (although such tactics are not unique to the public sector). Contractors, who must outbid competitors, have incentives to underestimate how much a project will cost and then strategically drive up costs through the use of change orders once awarded the contract. According to project management experts such practices create a chasm between forecasts and project viability.

The results are not trivial. The gap may be so large that if actual viability were known, project leaders may have decided to not implement the project, implement it in another form, or start over again with a completely different project. Strategic misrepresentation leads to projects that either are inefficiently built or fail to serve a legitimate public purpose. Not surprisingly, “best practices” in project bidding have moved toward processes that shift the risk of financial overruns onto the contractor and away from the public agency (and hence taxpayers).

### Public Sector Project Cost Overruns Are a Global Problem

Cost overruns are not unique to Tallahassee. The World Bank recently called for change in the capital infrastructure planning sector, acknowledging the heightened risks and uncertainty due to the tendency for officials to underestimate costs and overestimate project viability. Often public officials succumb to pressures to push projects through before adequate planning, forecasting, preparation, and other due diligence efforts have been completed. More accurate forecasting and thorough planning by project leaders will help build accountability mechanisms and lower costs and delays. Like government administrators around the world, Tallahassee officials should acknowledge that technical challenges will arise during construction of public infrastructure but also recognize they can be mitigated through better processes for ensuring accountability during project planning and construction stages.

Source: Flyvbjerg, Bruzelius, and Rothengatter, *Megaprojects and Risk*, 43-47.

<sup>24</sup> Siemiatycki, “Cost Overruns.”

## 6. The Capital City Amphitheater

Previous sections of this report noted the expanded scope and escalating costs associated with the Capital City Amphitheater in the Cascades Park project. This section reveals the subproject as an example of how costs can grow incrementally and uncontrollably without proper accountability mechanisms in place. The amphitheater is responsible for \$2 million in cost overruns and 282 days in delays during the construction of Cascades Park.

Space for a stage was included in the original design of Cascades Park and had already been allotted. In its original form, the stage would have accommodated modest local performances, political events, music, along with school productions. In 2012, the City of Tallahassee decided to significantly upgrade the space to make the amphitheater a tourist attraction and generate public revenue with large-scale productions with the help of the Community Redevelopment Agency (CRA) and the Tourism Development Council (TDC).<sup>25</sup> Notably, in 1998, Leon County turned down a request to build a privately-financed outdoor entertainment venue that would have included an amphitheater capable of hosting national acts in another location.<sup>26</sup>

### Expanding the Scope

The Tourist Development Council approached the Blueprint Intergovernmental Agency with the large-scale amphitheater concept in November 2011, offering a grant of \$1.2 million from the one-cent tourist development tax as an incentive. (This tax was originally earmarked for a proposed Performing Arts Center which fell through.) In exchange for the tourism tax money, the city commission would revise city codes to allow for ticketed events in the proposed park. The Community Redevelopment Agency and the city commission approved the allocation of funds in the form of a grant the same year. Input from neighborhood associations, other citizens, and the BIA's own Citizens Advisory Committee was not collected until March 2012, and the delayed solicitation of public feedback fueled political opposition to the project.

At the time, the Cascades Park project was already \$4 million over budget. The most expensive option, the “complete amphitheater package,” was authorized by BIA committees, increasing the cost by another \$2.37 million. The amphitheater’s change orders exceeded the TDC/CRA grant by \$229,000.<sup>27</sup>

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<sup>25</sup> “Meeting Agendas,” Blueprint Intergovernmental Agency, <http://blueprint2000.org/news-and-information/meeting-agendas/>.

<sup>26</sup> See DeVoe Moore, “Government Is Intervening to the Detriment of Business Opinion,” *Tallahassee Democrat*, August 12, 2018, last accessed online December 17, 2018, <https://www.tallahassee.com/story/opinion/2018/08/12/government-intervening-detiment-business-opinion/960496002/>.

<sup>27</sup> DeVoe Moore Center analysis of Contract 2229 Capital Cascades Park Segment 2.

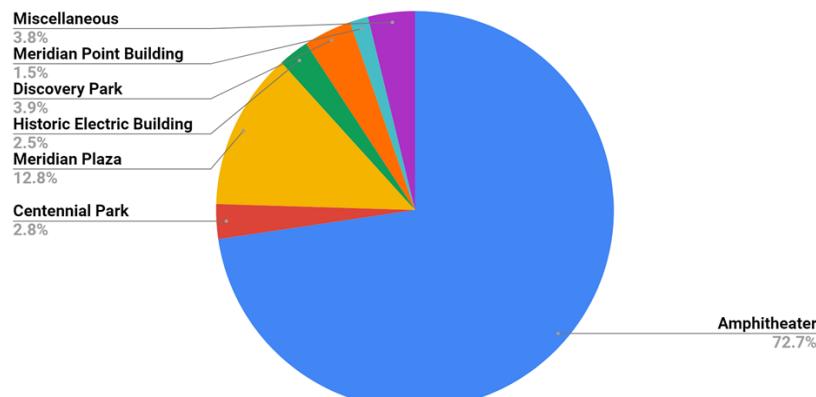


Figure 4. Blueprint upgrades to Sandco contract by category.

*"Overall, the upgrades to the amphitheater amount to 73 percent of the upgrade costs for Phase 2 of the park."*

The agency continued to add on other expenses, such as \$390,000 in weatherization upgrades authorized in 2018 by the Leon County Board of Commissioners.<sup>28</sup> Overall, the upgrades to the amphitheater amount to 73 percent of the upgrade costs for Phase 2 of the park (figure 4). These upgrades reflect increases in the complexity and scope of the project as well as change orders required because of significant time delays due to added amenities. However, total expenses for the park are still unknown and are continuing to increase even after the park officially opened.

According to change order records, the costs associated with the amphitheater upgrades included post-bid design modifications, contractors having to re-do already installed work, and 10 percent overhead payments on every purchase due to changes to the contractor's planned construction schedule. All of these expenses likely could have been avoided if the new amphitheater concept had been included in the original plan.

## Ongoing Public Subsidies

Leon County has primary responsibility for operating the amphitheater. Officials say the amphitheater generates economic benefits by drawing out-of-town visitors who spend money in hotels, restaurants, and stores.<sup>29</sup> A stand-alone analysis of Leon County's management of the amphitheater, however, reveals an operation that is a financial drain on the county budget (table 1). The concert series has operated in the red every year since opening, costing Leon County \$338,593 in operating costs so far.<sup>30</sup> In comparison, albeit at a more expansive outdoor venue, Luke Bryan's concerts at Cross Creek Place were privately funded without public subsidy and drew more than 40,000 people.<sup>31</sup>

<sup>28</sup> "Leon County Commission Approves \$390K for Cascades Amphitheater Weatherization Plan," Tallahassee Reports, last modified February 18, 2018, <http://tallahasseereports.com/2018/02/18/leon-county-commission-approves-390k-for-cascades-amphitheater-weatherization-plan/>.

<sup>29</sup> "From the Archive: Ensley: Cascades Park Heralds a Change in Tallahassee," *Tallahassee Democrat*, last modified March 14, 2014, <https://www.tallahassee.com/story/opinion/columnists/ensley/2014/03/14/gerald-ensley-cascades-park-heralds-a-change-in-tallahassee/6433275/>.

<sup>30</sup> "Leon County Commission Approves \$390K for Cascades Amphitheater Weatherization Plan." Tallahassee Reports. Last modified February 18, 2018. <http://tallahasseereports.com/2018/02/18/leon-county-commission-approves-390k-for-cascades-amphitheater-weatherization-plan/>.

<sup>31</sup> The Luke Bryan Farm Tour typically schedules 6 concerts each year and draws more than 100,000 fans according to organizers for the shows, CID Entertainment. See "Luke Bryan Announces Line Up for Tenth Annual Farm Tour," LukeBryan.com, last accessed online December 18, 2018, [https://www.lukebryan.com/news?n\\_id=3223](https://www.lukebryan.com/news?n_id=3223). See also Sterling Whitaker, "Luke Bryan Announces Lineup for Tenth-Annual Farm Tour," Taste of Country, August 29, 2018, last accessed December 18, 2018, <http://tasteofcountry.com/luke-bryan-2018-farm-tour-lineup/>. The Farm Tour included Tallahassee on its schedule in 2014 (October 3), 2013 (October 11), and 2012 (October 12). In 2014, Luke Bryan drew 16,000 fans to the concert. See DeVoe Moore, "City of Tallahassee Has a Spending Problem," *Tallahassee Democrat*, August 5, 2016, last accessed December 17, 2018, <https://www.tallahassee.com/story/opinion/2016/08/05/city-tallahassee-spending-problem/88319810/>. The Farm Tour dropped Tallahassee from its schedule due to excessive regulation (relative to other venues in other states and locations) and permitting fees. See also Moore, "Government Is Intervening to the Detriment of Business."

Thus, in addition to the \$2.5 million in tax revenues to fund the amphitheater's construction, Leon County allocates \$80,000 of TDC dollars annually to cover production costs and another \$60,000 per year for a private company to negotiate and propose new acts.<sup>32</sup> Averaging the annual loss from the concert series and adding Leon County's annual subsidy suggests that the amphitheater costs county residents \$207,718.60 per year. This is a direct cost to taxpayers for a project that they did not vote for in the original One-Cent Local Government Surtax Extension proposal.

**Table 1. Cascades Park Concert Series annual revenue**

	<b>Number of shows</b>	<b>Attendance</b>	<b>Concert net revenue</b>
<b>FY 2014</b>	<b>3</b>	<b>4,701</b>	<b>-\$174,501</b>
<b>FY 2015</b>	<b>5</b>	<b>9,574</b>	<b>-\$65,829</b>
<b>FY 2016</b>	<b>8</b>	<b>14,074</b>	<b>-\$45,178</b>
<b>FY 2017</b>	<b>4</b>	<b>6,785</b>	<b>-\$30,225</b>
<b>FY 2018</b>	<b>2*</b>	<b>2,509</b>	<b>-\$22,860</b>
<b>Total</b>	<b>22</b>	<b>37,643</b>	<b>-\$338,593</b>
<b>Per event average</b>		<b>1,711</b>	<b>-\$15,391</b>

\*All shows for 2018 are not included. A Lynyrd Skynyrd concert experienced an emergency cancellation but the event still incurred its production costs.

Source: Leon County Public Records

Those running the amphitheater do not necessarily see the financial losses negatively. According to a long-time Tallahassee-based music promoter and partner in the Cascades Concert Series, high costs are common for new music venues.<sup>33</sup> The promoter is an experienced event manager and owner of one of Tallahassee's largest concert venues.<sup>34</sup>

<sup>32</sup> Leon County Board of Commissioners, "Consideration of the STAGE Committee's Comprehensive Report and Recommendations on the Capital City Amphitheater Concert Series' First Year of Operations," accessed July 8, 2018, <http://www2.leoncountyfl.gov/coadmin/agenda/view2.asp?id=12051&phrase=Cascades+Park+>; and Sean Rossman, "Revenues Come Alive for County after Frampton Concert," *Tallahassee Democrat*, last modified July 3, 2016, <https://www.google.com/url?q=https://www.tallahassee.com/story/news/2016/07/03/revenues-come-alive-county-after-frampton-concert/86616542/&sa=D&ust=1531096042910000&usg=AFQjCNEEx33NC2FZoZbhtNLzHSA9cyoAUw>.

<sup>33</sup> Comments made by Scott Carswell. Carswell currently manages the amphitheater's bookings. "Cascades Concerts Pricey to Put on," *Tallahassee Democrat*, last modified May 25, 2014, <https://www.tallahassee.com/story/news/local/2014/05/25/cascades-concerts-pricey-put/9562899/>.

<sup>34</sup> Carswell owns and manages The Moon, a concert venue that includes the capacity to accommodate 1,500 patrons in its main room. The Moon opened in 1985 and has hosted leading popular music acts and performers covering a wide range of styles and genres. See details provided at <http://tallahassee.moonevents.com/about>, last accessed December 18, 2018.

**"Cascades Park has become a cash-depleting entity that may well be an economic drain rather than a generator of revenue for public budgets."**

Officials from Leon County stated that the amphitheater's goals of acting as a "centralized performance venue" and a generator of Tourist Development Tax revenue "take precedence over the net return on investment or 'profit' earned from individual concerts."<sup>35</sup>

This mindset, however, is problematic. The city and county report that the cost of the amphitheater is included in the \$33 million it cost to build Cascades Park.<sup>36</sup> The venue was sold to the public as a revenue generator. The theater, however, has been open and scheduling events for four years and is still being subsidized from tax dollars. Costs for the park continue to rise as annual subsidies accumulate and new features are added. Little evidence suggests the park is generating new net revenue from out-of-town guests who would not have been traveling to Tallahassee for other purposes.<sup>37</sup> Thus, Cascades Park has become a cash-depleting entity that may well be an economic drain rather than a generator of revenue for public budgets.

## Community Backlash

Another lesson from the Capital City Amphitheater subproject illustrates the longer-term consequences of forfeiting public accountability measures to increase project momentum, as it causes costly problems further down the road. Various stakeholders within the Tallahassee community have criticized the late addition of the amphitheater upgrades as well as the decision-making process. Protests and criticisms were leveled at the agency from neighborhood associations, community members, and even members of Blueprint's Citizens Advisory Committee. For example,

- A city commission candidate said he wanted to "protect the community from bad decision-making," which, he said, "includes outdoor concerts at Cascades Park, which have prompted noise complaints."<sup>38</sup> He explained that the commission that was in place in 2014 had a judgement issue, saying "Sometimes they use poor judgement. And you know why they do it? Money. You don't sacrifice your community for money."
- The Council of Neighborhood Associations and others believed neighborhoods were "on the receiving end of a bait-and-switch move since the park was first presented as a passive park and stormwater facility."<sup>39</sup> The final park was an "active" park.
- During a meeting between the city, county, and Blueprint leaders, residents of neighboring Myers Park and Woodland Drive criticized officials for not consulting them about the metamorphosis of the concept. A nearby resident expressed dismay about concert decisions that would affect his neighborhood. "Unfortunately, this has all occurred at the 11th hour," he said, "when it should have been part and parcel of the planning."<sup>40</sup>

Much of the citizen outcry could likely have been avoided through more broad-based vetting of the project with the public and the use of citizen-feedback mechanisms that allowed more direct and dynamic engagement.

<sup>35</sup> Leon County Board of Commissioners, "Consideration of the STAGE Committee's Comprehensive Report.

<sup>36</sup> "Commission Sets Times for County Events at Cascades Amphitheater," *Tallahassee Democrat*, July 10, 2013.

<sup>37</sup> The authors are unaware of a study, survey, or other analysis conducted by the county, city, Blueprint Intergovernmental Agency, or a third party that estimates revenue generated from out-of-town guests traveling to Tallahassee largely or primarily for the purpose of attending events at Cascades Park or its amphitheater.

<sup>38</sup> Jeff Burlew, "Three Vie for Gillum's Seat," *Tallahassee Democrat*, August 14, 2014, <https://www.tallahassee.com/story/news/politics/2014/08/14/three-vie-gillum's-seat/14046965/>.

<sup>39</sup> TaMaryn Waters, "Decision in Flux for Cascades Park," *Tallahassee Democrat*, May 23, 2013.

<sup>40</sup> Gerald Ensley, "Cascades Neighbors Make Noise," *Tallahassee Democrat*, January 19, 2013.

## 7. The Edison

The Edison is an upscale restaurant located in a formerly abandoned coal plant on the periphery of Cascades Park (although within its boundaries). While not officially part of the Blueprint managed Cascades Park and Trail Project, its location in the park and development simultaneously with the park project have linked it to the overall project.

As part of an economic development strategy, \$2.1 million in local government funding was used to renovate the building into a restaurant and bar.<sup>41</sup> The renovation and use was subject to a public bidding process, but only two viable bids were submitted.<sup>42</sup> The city consolidated the bids into one, and the contract went to the mayor's former campaign manager. The city allocated tax revenues to BIA and CRA accounts to fund the renovations, effectively acting in the role of a venture capitalist and assuming substantial financial risk for the project (see table 2).

**Table 2. Sources of public subsidies to the Edison Restaurant**

Blueprint Intergovernmental Agency (from Cascades Park contract)	\$89,038.94
Joint city-county Community Redevelopment Agency	\$910,000
Blueprint Intergovernmental Agency	\$1.3 million

Source: Public reports, including the Cascades Park Project. See news coverage in TaMaryn Waters, "The Edison, Its Investors and Political Roots," *Tallahassee Democrat*, October 16, 2015; Jeffrey Schueers, "Risk, 'Growing Pains' and the Edison Investment," *Tallahassee Democrat*, May 19, 2017.

The local bidding process and viability of the project were suspect given the low number of bids and the close ties between the winning bidder and the local government. Local audits and investigations into the Edison's operations revealed ethics violations in the form of discounts and gifts given to personnel in the Mayor's Office and Office of the City Manager.<sup>43</sup> The city manager ultimately resigned.<sup>44</sup>

<sup>41</sup> TaMaryn Waters, "The Edison, Its Investors and Political Roots," *Tallahassee Democrat*, October 16, 2015, <https://www.tallahassee.com/story/money/2015/10/16/edison-its-investors-and-political-roots/74017352/>. The private owners of the Edison restaurant also borrowed \$530,000 in federal government backed loans. See Jeffrey Schueers, "City Commissioner Scott Maddox Asks for Edison Audit," *Tallahassee Democrat*, May 16, 2017, <https://www.tallahassee.com/story/news/2017/05/16/city-commissioner-scott-maddox-asks-edison-audit/101744220/>.

<sup>42</sup> Jeffrey Schueers, "Risk, 'Growing Pains' and the Edison Investment," *Tallahassee Democrat*, May 19, 2017, <https://www.tallahassee.com/story/news/2017/05/19/tallahassee-has-a-ready-to-lease-building-if-edison-restaurant-doesnt-work-out/101846284/>.

<sup>43</sup> Jeff Burlew, "'Ill-Gotten' Gifts: Ethics Report Says City Manager 'Overlooked Every Ethical Law,'" *Tallahassee Democrat*, June 14, 2018, <https://www.tallahassee.com/story/news/2018/06/13/fernandez-facing-20-state-ethics-law-violations/695424002/>.

<sup>44</sup> Jeff Burlew, "Former City Manager Rick Fernandez Agrees to Settlement with Ethics Commission," *Tallahassee Democrat*, October 26, 2018, <https://www.tallahassee.com/story/news/2018/10/26/former-city-manager-rick-fernandez-agrees-settle-state-ethics-case/1774959002/>.

***"Indictments aside, the decision by Tallahassee's city commissioners to spend tax revenue to support what industry experts considered a high-risk venture led to political and ethical blunders that eroded public trust."***



**Figure 5. The Edison at Cascades Park.**

<sup>45</sup> Jeffrey Schueers, "City Slapped with New FBI Subpoena on Edison, Adam Corey," *Tallahassee Democrat*, May 31, 2018, updated June 1, 2018, <https://www.tallahassee.com/story/news/local/fbi/2018/05/31/breaking-city-hit-new-fbi-subpoena-edison-adam-corey/659649002/>.

<sup>46</sup> Jeff Schueers, "What Not in the Scott Maddox Indictment is as Intriguing as What Is Included," *Tallahassee Democrat*, December 16, 2018, <https://www.tallahassee.com/story/news/2018/12/15/indictment-tallahassee-scott-maddox-carter-smith-fbi-corruption-city-hall-no-mention-andrew-gillum/2312802002/>. See also TaMaryn Waters, "As FBI Indictments Drop, Paige Carter-Smith Resigns From Downtown Improvement Authority," *Tallahassee Democrat*, December 12, 2018, <https://www.tallahassee.com/story/news/money/2018/12/12/scott-maddox-paige-carter-smith-tallahassee-corruption-dia-fbi-city-hall-investigation-resigns/2287528002/>.

<sup>47</sup> "Cascades Park Restaurant To Be Financed By \$2.1 Million in Tax Dollars," Tallahassee Reports, last modified August 18, 2013, <http://tallahasseereports.com/2013/08/18/cascades-park-restaurant-to-be-financed-by-2-1-million-in-tax-dollars/>.

<sup>48</sup> Waters, "The Edison, Its Investors and Political Roots."

Moreover, the complex and dynamic relationships between the principal private and public sector players have become a primary focus of an FBI investigation into public corruption in Tallahassee and at the joint city-county Community Redevelopment Agency.<sup>45</sup> The FBI investigation continues, with a city commissioner and a former local government lobbyist indicted for public corruption in December 2018.<sup>46</sup>

Indictments aside, the decision by Tallahassee's city commissioners to spend tax revenue to support what industry experts considered a high-risk venture led to political and ethical blunders that eroded public trust. Local government officials continue to justify financing renovations to an historic building that was a blemish on the park and would have otherwise been demolished. However, these renovations reportedly included spending on items such as \$56,000 for cabinets, countertops, and flooring as well as \$30,000 for interior lights, hand dryers, and coat hooks.<sup>47</sup> Many of these benefits would have been internalized (and monetized) for the private restaurant owners and investors through their profits or value of their equity in the company.

Despite the public funding that was critical to underwriting the private restaurant, ties between government officials and the Edison's owners remain unclear. In fact, ownership of the Edison continues to shift and, despite extensive public subsidy and involvement, little is publicly known about the restaurant's core investors except that

private investment in the company came by "invitation-only," and these owners reportedly included lobbyists, trusted friends, and fraternity brothers of the primary owner.<sup>48</sup>

Although the owners appear to be making rent payments to the city, the restaurant will not be profitable until it can also cover the full investment needed to enable its opening and ongoing operations. Economists note that all costs are variable in the long run and need to be considered part of the total cost of an investment or operations. Thus, relevant investments in the Edison include the \$2.1 million in local tax dollars used to renovate the building to make it suitable for a restaurant use.

## 8. Cascades Park Footbridge

A third subproject that illustrates the problems of project cost escalation is the decision by the Blueprint Intergovernmental Agency, the city, and the county to build a pedestrian bridge connecting a nearby parking deck to Cascades Park. The bridge traverses one of Tallahassee's busiest thoroughfares, South Monroe Street, and was justified as a way to ease access to the park as well as to provide a connector in the city's expansive bike and pedestrian plan (Figure 6). The infrastructure was significant enough that \$2.5 million was budgeted for the bridge in the original plans. Unfortunately, the final costs for the bridge ballooned to \$7.2 million, nearly three times the original amount.<sup>49</sup>

The finance price—funded by \$1.4 million from the Florida Department of Transportation and \$5.8 million from the Blueprint sales tax—caused grumbles throughout the county. Some citizens understandably accused the officials of being wasteful with taxpayer money. Local engineer Juan Goni, for example, voiced his concerns in an interview by the *Tallahassee Democrat*. According to the news article, “the 160-foot-by-12-foot bridge would cost \$1,300 per square foot—while the average bridge in Florida costs \$130 per square foot.”<sup>50</sup>

The director of Blueprint justified the cost escalation at the time claiming that the added amenities to the bridge, such as lights that change colors and the soaring fabric-covered panel on top, lent artistic and aesthetic value.<sup>51</sup> He added that several hundred thousand dollars had already been spent in engineering, landscaping, and preparation for the design, which was greenlighted by the Blueprint board, and redesigning the bridge would cost hundreds of thousands of dollars more. When questioned on such cost increases, public officials tended to claim changing course was too late in the process, the changes were going to happen either way, or the features being added would be less expensive than if they were added further down the road. In other words, the justifications were similar to those used to rationalize the expanded scope and expenses associated with the Capital City Amphitheater.



Figure 6a. View of footbridge driving from the south toward Tallahassee's Downtown with railroad bridge in the background.



Figure 6b. View of footbridge driving from the north away from Tallahassee's Downtown with railroad bridge in the foreground.

**Figure 6. Cascades Park Pedestrian Footbridge.**

<sup>49</sup> “Cascades Pedestrian Bridge Deck Going Up,” *Tallahassee Democrat*, last modified April 15, 2016, <https://www.tallahassee.com/story/news/2016/04/15/cascades-pedestrian-bridge-deck-go-up-weekend/83078134/>.

<sup>50</sup> Gerald Ensley, “Cost of Cascades Park Connector Bridge Questioned,” *Tallahassee Democrat*, March 6, 2015, <https://www.tallahassee.com/story/news/local/2015/03/06/cost-cascades-park-connector-bridge-questioned/24498623/>.

<sup>51</sup> Ensley, “Cost of Connector Bridge.” Citizens have questioned some of the aesthetic merits of the bridge, noting that the view of the pedestrian bridge as a gateway is obscured by an older, rustic, conventional railroad bridge. See figure 5.

## 9. Conclusions and Recommendations

Historical accounts show that city infrastructure projects are expensive and high-risk, and have regional development impacts that are difficult to measure.<sup>52</sup> The case of Cascades Park and Trail in Tallahassee, Florida, follows in this pattern even though the scale of the project falls short of what would be considered a megaproject. The lessons from this case study are thus relevant on a local, state, national, and even international scale. Indeed, what may be remarkable about the Cascades Park and Trail project is how similar the decision-making and spending patterns are to the inefficient and wasteful processes associated with billion-dollar megaprojects.

**"Large-scale infrastructure projects are increasing in frequency and size, yet such projects have a track record for becoming economic drains on the communities they intend to benefit."**

Large-scale infrastructure projects are increasing in frequency and size, yet such projects have a track record for becoming economic drains on the communities they intend to benefit. Low or non-existent revenue generation combined with frequent cost overruns threaten the viability of these projects as well as undermine public trust. Such issues are all too often exacerbated by expedited greenlighting in the early stages of the project's timeline, and higher project risks further down the line because of a lack of proper oversight and stakeholder input as well as incomplete and superficial cost-benefit analyses and forecasting.

These issues are particularly important in Tallahassee, given a local renewed interest in city-county consolidation as a means to encourage government efficiency and promote economic development. While proponents of consolidation have been unsuccessful in their six attempts to consolidate their general government over last 50 years, they have managed to establish special districts for combined projects, such as the Blueprint Intergovernmental Agency and the Community Redevelopment Agency (CRA).<sup>53</sup>

However, as this policy report demonstrates, regional approaches to service delivery do not guarantee efficiency. In fact, some of these regionalized agencies may be less accountable and often make decisions further removed from citizen oversight.<sup>54</sup> Special districts often involve more complex and incremental decision-making, which allows them to bypass accountability mechanisms. The regional CRA, for example, has used millions in taxpayer dollars to fund projects like the Edison, the DoubleTree Hotel in downtown Tallahassee, and, more recently, the Gateway Center where public access to records about decisions was difficult and at times limited.<sup>55</sup> Similarly, the Cascades Park and Trail Project experienced numerous cost overruns triggered by the incremental and compartmentalized nature of the project's development and decision-making process.

<sup>52</sup> Flyvbjerg, Bruzelius, and Rothengatter, *Megaprojects and Risk*, 4.

<sup>53</sup> Knight Creative Communities Institute, *Cultivate Cascades Park*; and Matt Kelly and Tyler Worthington, "Special Districts in Florida," DeVoe L. Moore Center (blog), May 9, 2016, <http://kccitallahassee.com/wp-content/uploads/Cultivate-Cascades-Park-Report.pdf>; <https://devoelmoorecenter.com/2016/05/09/special-districts-in-florida/>.

<sup>54</sup> This is consistent with academic literature which shows mixed results (at best) on the efficiency gains from local government consolidation. See Indiana Policy Review Foundation, "The Effects of City-County Consolidation: A Review of the Recent Academic Literature" (report prepared for Marion County Consolidation Study Commission, Indiana General Assembly, 2005), <http://www.in.gov/legislative/interim/committee/2005/committees/prelim/MCCCo2.pdf>.

<sup>55</sup> Jeffrey Schweers and Jeff Burlew, "FBI Demands CRA Records from City of Tallahassee," *Tallahassee Democrat*, June 22, 2017, <https://www.tallahassee.com/story/news/2017/06/22/sources-feds-seek-cra-records/419837001/>. See also Jeffrey Schweers, "The Gateway Center That Almost Wasn't: Anatomy of a Deal Under FBI Scrutiny," October 21, 2017, last accessed online December 19, 2018, <https://www.tallahassee.com/story/news/2017/10/20/gateway-project-center-fbi-probe-nearly-lost-its-public-fundin-came-close-having-funding-pulled-twic/759377001/>.

The critical question, however, is how do local governments put the proper accountability, transparency, and performance metrics in place to create the discipline needed to provide efficient public services? Indeed, as Flyvbjerg and other experts have pointed out, persistent underestimation of costs and overestimation of benefits are deceptive about the true value of the project.

A framework developed by the Institute on Municipal Finance and Governance (IMFG) provides guidance. The IMFG framework recognizes that cost overruns can be the result of technical challenges, optimism bias, and strategic misrepresentation. Technical challenges during construction are inevitable but can be planned for and managed. While natural occurrences such as bad weather or sinkholes are impossible to control, proper forecasting can certainly help to manage costs, especially increases that occur as a result of human error or poor decision-making processes.

This report found decision-makers for the Cascades Park and Trail project may have suffered from optimism bias, at best merely misestimating building costs and potential revenue generation. The Blueprint Intergovernmental Agency also appeared not to have adopted or followed rigorous decision-making and project review processes that could have reduced the risks of cost overruns, such as anchoring decision-making in rigorous cost-benefit analysis or consideration of alternative uses. Decision-makers, for example, used an unstructured decision-making process and lacked clear objectives or project plan alignment to justify the expansion of the Capital City Amphitheater and perhaps even Franklin Boulevard improvements. This led to expensive design changes to convert the park from a clearly passive facility focused on stormwater retention to an intensive urban park with regular programming. By eschewing and even ignoring private alternatives that could have minimized taxpayer risk, for example, decision-makers pinned their hopes on the amphitheater becoming a revenue generator. Instead, the project would become, and remains, a fiscal drain on the community.

To avoid this kind of optimism bias, a full range of options and potential scenarios should be considered during project planning stages. Boosterism and cloistered decision-making among a small group of leaders lead to higher project risks, cost overruns, and dissatisfaction down the road. Discussions should be transparent and open, with local officials actively soliciting the concerns of neighbors and third parties directly impacted by the project. Project planning meetings should be advertised to citizens, targeting the groups such as nearby neighborhood associations and those citizens, liaisons, or others who fund key city and county initiatives. Citizen voices should be heard during the early stages of the process to help direct the project and create a foundation for broad-based support.

Finally, and unfortunately, project costs evolved beyond the original estimates on which the decisions to move forward were based. These extra expenses were passed on to taxpayers, rather than to the project stakeholders. Skipping accountability mechanisms to get larger projects greenlighted brought financial costs as well as political and social costs, as the multiyear FBI corruption investigation is showing. Such practices also led to ad hoc decision-making that resulted in legal troubles and lower citizen trust in their government. Overall, this case study of a large local public infrastructure project seems to reveal practices similar to those experienced by large-scale projects.<sup>56</sup>

***"The critical question, however, is how do local governments put the proper accountability, transparency, and performance measures in place to create the discipline needed to provide efficient public services?"***

<sup>56</sup> Siemiatycki, "Cost Overruns."

While cost overruns in development projects cannot be completely eliminated, costs can be managed more efficiently with proper planning, accountability, and transparency. To reduce cost overruns, project leaders must recognize that unanticipated expenses will occur but can be mitigated with proper policy making and project management tools.<sup>57</sup>

The following changes to the administration, design, and implementation of major projects for the City of Tallahassee, Leon County, the Blueprint Intergovernmental Agency, and other public bodies implementing major publicly funded projects should improve transparency, accountability, and performance in Tallahassee (and elsewhere).

## General Administration

1. Require all projects to be assessed against a “status quo” alternative to ensure public projects are evaluated for their value added to the community.
2. Evaluate all proposed projects and subprojects using the “yellow pages test” to ensure private alternatives are fully considered as an alternative to public spending. In essence, the yellow pages test uses the principle that if a product or service can be provided by at least three private businesses it should not be considered a core public service. Instead, the good or service should be considered for competitive bidding or privatization.<sup>58</sup>
3. Adopt specific performance measures that include limits on change orders and changes in project scope, and specific consequences for cost overruns in contracts with private parties.
4. Conduct independent feasibility reviews for projects over a certain threshold, such as \$250,000 or \$500,000, and publish the reviews on the city or agency’s website. (These reviews can often be commissioned for significantly under \$20,000, depending on the scale, scope, and difficulty of the project.)

## Project Planning

1. Require projects to have clear objectives and goals with measurable outcomes.
2. Ensure meaningful public involvement in the design stage by explicitly soliciting public feedback through design charrettes, listening sessions, pre-design and post-design surveys, and other mechanisms to obtain input from a broad cross section of parties affected by the project. The results of these sessions should be made public at the end of each stage of the planning process and show how public feedback helped define the project’s scope, further identify costs and benefits of the proposed project, and consider project alternatives. (Notably, Blueprint 2000 provided opportunities for citizens to participate in the process, and committee meetings were open to the public.)
3. Improve cost-estimating techniques by benchmarking proposed projects against similar

<sup>57</sup> Joanna G. Salazar, “Damming the Child of the Ocean: The Three Gorges Project,” *The Journal of Environment & Development* 9, no. 2 (2000): 173, doi:10.1177/10704965000900204.

<sup>58</sup> The term and concept behind the “yellow pages test” was coined and implemented by Stephen Goldsmith when he was mayor of Indianapolis in the 1990s. See Stephen Goldsmith, *The Twenty-First Century City: Resurrecting Urban America* (Washington DC: Regnery Publishing, 1997), 25-27; and John Palatiello, “Congress Forms ‘Yellow Pages’ Caucus: Goal is Smaller Federal Government, Cut Spending,” Reason Foundation, February 28, 2012, <https://reason.org/commentary/congress-forms-yellow-pages-caucus/>.

types of projects in Tallahassee (if possible), other cities in Florida, and peer cities on a national level.

4. More explicitly consider community amenities, including estimating potential benefits, as well as negative externalities or spillover effects as they relate to the community, the general public, and private competitors.

## Project Implementation

1. Include financial incentives for project delivery ahead of schedule and within the budget, without sacrificing quality. These incentives can also be structured to encourage public agencies to collaborate with contractors (or other public agencies) to achieve on-time performance.
2. Require proposed changes to the scope and scale of a project to be submitted as one major package rather than as piecemeal or ad hoc additions that allow major changes to be processed incrementally below dollar thresholds that trigger comprehensive review.
3. Adopt limits on the total value of change orders tied to industry standards that trigger full public review and assessments of a project, including a mandatory option of canceling the project.
4. Provide real-time, public transparency on project costs and estimates presented in formats on the Internet that are easily accessible to the general public. These can take the form of web-based project dashboards that allow the public to monitor timelines, costs, and performance based on pre-determined milestones and benchmarks.

## Post-Project Management and Assessment

1. Implement a formal process of systemic review of projects, with published reports and assessments keyed to performance measures and whether projects have met intended goals and objectives. These reports should highlight what worked well during implementation, explain challenges and what mechanisms were used to overcome them, and any “lessons learned” for improving the project planning and implementation process in the future. These post-project reports should be formally submitted to the relevant governing body and made publicly available free of charge to citizens. Costs of these reviews should be included in the initial estimates of project costs.



Cascades Park Foot Trail

Source: [visittallahassee.com](http://visittallahassee.com)

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